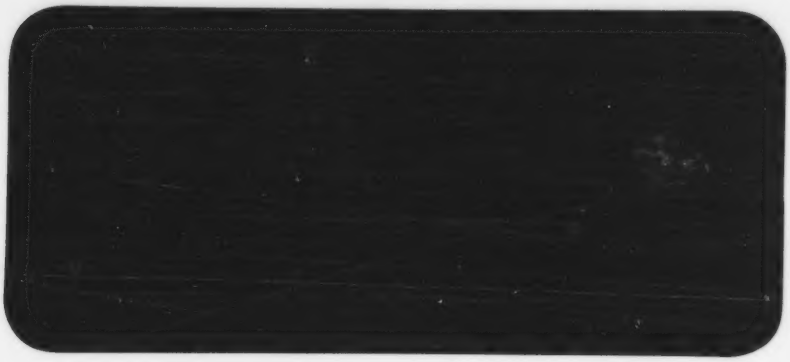
MANITOBA
ENERGY
AUTHORITY



THE MANITOBA ENERGY AUTHORITY

EIGHTH ANNUAL REPORT

FOR THE YEAR ENDED MARCH 31, 1990

91-01455/

Manitoba

Minister of
Energy and Mines

Room 301
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

(204) 945-4601

The Honourable George Johnson
Lieutenant Governor of the Province of Manitoba

May it please your Honour:

I have the honour of presenting to you the Eighth Annual Report of The Manitoba Energy Authority for the fiscal year ended March 31, 1990.

Respectfully,

Harold J. Neufeld
Minister

MANITOBA ENERGY AUTHORITY

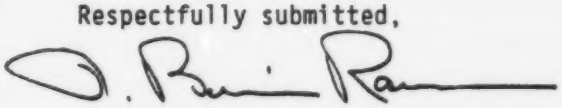
12th Floor, 191 Lombard Avenue/Winnipeg, Manitoba, Canada/R3B 0X1
Telephone: (204) 945-0193 FAX: (204) 945-8808

The Honourable Harold Neufeld
Minister Responsible for
The Manitoba Energy Authority
Province of Manitoba
Legislative Building
Winnipeg, Manitoba
R3C 0V8

Sir:

I have the honour of presenting the Eighth Annual Report of The Manitoba Energy Authority together with financial statements for the fiscal year ended March 31, 1990.

Respectfully submitted,



A. Brian Ransom
Chairman
Board of Directors
The Manitoba Energy Authority

THE MANITOBA ENERGY AUTHORITY

LEGISLATIVE MANDATE

The Manitoba Legislature established The Manitoba Energy Authority through The Manitoba Energy Authority Act. The Manitoba Energy Authority is funded by appropriation from the Consolidated Fund. The Act assigns to the Authority the responsibility to formulate and carry out energy policies designed to assure a continuing and adequate supply of energy in the province; to alleviate the effects of any energy shortage that may occur in the province; and to promote the establishment, development and operation within the province of industries and undertakings that are by their nature energy-dependent.

This mandate makes The Manitoba Energy Authority responsible for investigating potential extra-provincial markets for electrical energy and to negotiate or direct negotiations for the sale or purchase of electrical energy exported from or imported to the province. The Authority is mandated to compile and review data on the supply and demand for energy so as to keep the Minister of Energy and Mines apprised of current conditions relating to the present and future availability of energy supplies in the province, in Canada and in other countries.

In addition, The Manitoba Energy Authority undertakes related duties as directed by the Minister of Energy and Mines or the Lieutenant Governor in Council. The Authority has been charged with the responsibility to coordinate public policy objectives related to the construction of the Limestone Generating Station, particularly with regard to purchasing and tendering, industrial benefits, and training and employment.

This mandate has been administered by the Authority's Board of Directors through its standing committees. The Board's* seven members are appointed by the Government of Manitoba. The current members are:

A. Brian Ransom	Chairman
John J. Arnason	Vice-Chairman Former President and Chief Executive Officer Manitoba Hydro
R. B. Brennan	President and Chief Executive Officer Manitoba Hydro
John S. McCallum	Professor, Faculty of Management University of Manitoba
Ian Haugh	Deputy Minister Manitoba Energy and Mines
Hugh Eliasson	Deputy Minister Manitoba Industry, Trade and Tourism
Charles E. Curtis (ex officio member)	Chief Executive Officer Manitoba Energy Authority and Deputy Minister, Manitoba Finance

* Board members during the year under review also included Garry H. Beatty.

ACTIVITIES OF THE MANITOBA ENERGY AUTHORITY

POWER EXPORT NEGOTIATIONS

The Electrical Energy Marketing Committee is established to investigate potential extra-provincial markets for electrical energy; and to negotiate or direct negotiations for the sale or purchase of electrical energy exported from or imported to the province.

The Manitoba Energy Authority, in conjunction with Manitoba Hydro, continued negotiations from the previous year with U.S. electric utilities and Ontario Hydro. These led, in late 1989, to the signing of three major electricity export agreements.

On November 20, 1989, two seasonal diversity exchanges totalling 300 megawatts were signed with Northern States Power Company of Minneapolis and United Power Association of Elk River, Minnesota. These diversity exchanges are for 20 years, starting in 1995. Under this arrangement, Manitoba Hydro will make 150 megawatts available to each U.S. utility during the summer seasons from May 1 to October 31 each year. The two U.S. utilities will each make 150 megawatts available to Manitoba Hydro during the winter seasons of November 1 to April 30 each year. Additional transmission capability will be required for the diversity exchanges.

On December 7, 1989 a 1000 megawatt sale was signed with Ontario Hydro. The sale will start in the year 2000 and will step up over the first four years reaching 1000 megawatts in 2003. There is a similar stepping down at the end of the sale in the years 2018 to 2022.

The sale to Ontario Hydro will confirm Manitoba Hydro's plans, subject to Public Utility Board and environmental reviews, for the construction of the Conawapa Generating Station in Manitoba together with a new high voltage direct current (HVDC) transmission system, known as Bipole 3, from the north to the Winnipeg area. A new interconnection will also be built from Winnipeg to Ontario and, within Ontario, a large transmission line will be built from the Manitoba border through Dryden and around the lakehead to near Sault Ste. Marie.

The Electrical Energy Marketing Committee's membership is appointed by the Authority's Board of Directors. Current members are:

A. Brian Ransom	Chairman
John J. Arnason	Member
John S. McCallum	Member
R.B. Brennan	Member

R.O. (Ralph) Lambert	Executive Vice-President Manitoba Hydro
H. Clare Moster	Assistant Deputy Minister, Energy Division Manitoba Energy and Mines

ENERGY POLICY

The Energy Allocation Committee is established to investigate and review data respecting the supply of and demand for energy; to develop plans for the allocation of supplies of energy; to investigate and review the plans or programs of other provinces or countries for the allocation of supplies of energy; and to maintain a continuing liaison with the Government of Canada with respect to the actual or prospective implementation of The Energy Supplies Emergency Act, 1979 (Canada).

The Energy Allocation Committee recently completed a review of the Province's existing organization for energy contingency planning and is satisfied that an adequate framework exists for responding to provincial energy shortages. Its main emphasis will be to focus on planning for oil shortages in the province. The Energy Division of Manitoba Energy and Mines, on behalf of the Energy Allocation Committee, continues to review petroleum supply and demand, and liaise with the Government of Canada and other provinces on energy planning issues.

The Energy Allocation Committee's membership is appointed by the Authority's Board of Directors. Current members are:

A. Brian Ransom	Chairman
John J. Arnason	Member
Ian Haugh	Member

ENERGY INTENSIVE INDUSTRIAL DEVELOPMENT

Over the past year the Authority has worked closely with government and private sector representatives on a number of specific industrial endeavors. The Authority and Dow Corning Corporation of Midland, Michigan executed a Memorandum of Understanding dated November 1, 1988 to pursue a Silicon Products Commercial Development Program. The objectives of this joint commercial development program are to verify and utilize advanced technologies such as plasma processing in the manufacture of silicon products in Manitoba, using Manitoba silica sand and hydro-electricity.

The development program consists of three project stages, with milestones to be defined and realized at each stage. Separate Subsidiary Agreements are to be negotiated for each stage defining financial and contractual management terms. Costs are shared among the Authority, Dow Corning and the Western Economic Diversification Program (Government of Canada).

A Stage I Subsidiary Agreement, feasibility testing of Manitoba silica sand for producing silicon metal in a plasma fired, closed furnace, was completed in October 1989. A Stage II Subsidiary Agreement which proposes the construction and operation of a commercial demonstration pilot plant in Manitoba was executed October 1, 1989. Stage II funding will be cost shared amongst the Authority, the Western Economic Diversification Program and Dow Corning, and the Authority's contribution will be approximately $5.221 million. Subject to definitive capital and operating cost estimates, additional technology testing, and acquisition of an environmental licence, a decision will be made whether or not to proceed with construction of the plant.

Promotional, research, and commercial activities have been pursued with a number of Japanese, European and American firms associated with various energy-intensive project opportunities. In the past year the Authority has undertaken industrial promotion missions to Japan, Korea and Europe. Preliminary investigations and discussions are taking place with several commercial companies for potential projects related to silicon, magnesium, hydrogen and titanium. Although not energy-intensive, but as a result of the Authority's marketing efforts, a leading Japanese computer printer manufacturer has completed feasibility studies on the possible establishment of a new manufacturing and distribution facility in Manitoba.

LIMESTONE PLANNING AND COORDINATION

The Authority continued to administer industrial benefits agreements with General Electric Canada, associated with the supply of turbines and generators for Limestone, and with MIL/Tracy, a division of THE MIL GROUP INC., for the supply and installation of synchronous condensors at Manitoba Hydro's Dorsey Converter Station.

THE MANITOBA ENERGY AUTHORITY

Financial Statements
for the Year Ended March 31, 1990
and Auditors' Report to the Directors

Deloitte & Touche

Deloitte & Touche
Chartered Accountants

Suite 2100
360 Main Street
Winnipeg, Manitoba
R3C 3Z3

Telephone (204) 949-1370
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AUDITORS' REPORT

To the Board of Directors of
The Manitoba Energy Authority:

We have examined the balance sheet of The Manitoba Energy Authority as at March 31, 1990 and the statement of operations and accumulated receipts for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Authority as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte & Touche

Chartered Accountants

May 16, 1990

THE MANITOBA ENERGY AUTHORITY

BALANCE SHEET

MARCH 31, 1990

	1990	1989
ASSETS		
CURRENT ASSETS		
Cash	$163,105	$119,821
Accounts receivable	385,710	36,701
Prepaid expenses and other assets	8,703	18,587
	557,518	175,109
FIXED ASSETS - at cost, less accumulated depreciation (Note 3)	54,358	68,807
DEFERRED PENSION COSTS	155,872	165,041
OTHER ASSETS, at cost	4,336	4,336
	$772,084	$413,293
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$426,157	$137,048
UNFUNDED PENSION OBLIGATIONS	345,090	293,372
	771,247	430,420
SURPLUS (DEFICIENCY)		
ACCUMULATED RECEIPTS (DEFICIENCY)	837	(17,127)
	$772,084	$413,293

Approved by the Board:

.....Director

.....Director

THE MANITOBA ENERGY AUTHORITY

STATEMENT OF OPERATIONS AND ACCUMULATED RECEIPTS

YEAR ENDED MARCH 31, 1990

	1990	1989
RECEIPTS		
Grant receipts	$2,065,227	$ 1,734,163
Miscellaneous receipts	212	514
	2,065,439	1,734,677
EXPENSES		
Personnel services	744,925	894,577
Travel	124,286	59,483
Communications	32,788	23,297
Rentals	102,825	99,187
Professional services	242,088	366,417
Interest expense	745	59,860
Depreciation and amortization	14,768	17,836
Other operating	44,495	31,546
Silicon Products Commercial Development Program (Note 4)	740,555	115,438
	2,047,475	1,667,641
NET RECEIPTS FOR THE YEAR	17,964	67,036
ACCUMULATED DEFICIENCY, BEGINNING OF YEAR	(17,127)	(3,372,258)
DEFICIENCY DISCHARGED BY THE PROVINCE OF MANITOBA (Note 1)	-	3,288,095
ACCUMULATED RECEIPTS (DEFICIENCY), END OF YEAR	$ 837	$ (17,127)

THE MANITOBA ENERGY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1990

1. AUTHORITY AND MANDATE

The Manitoba Energy Authority is incorporated under a specific statute in the Province of Manitoba, being "The Manitoba Energy Authority Act", Chapter E112 of the Continuing Consolidation of the Statutes of Manitoba.

The Authority is responsible for the following:

(i) Developing and implementing policies to ensure the long-term stability and availability of electrical energy supply to Manitobans.

(ii) Through its Electrical Energy Marketing Committee, for negotiating export sales of electrical energy with other provincial utilities and with utilities in the United States.

(iii) For promoting the establishment, development and operation of energy intensive industries within the province.

(iv) For co-ordinating all governmental and Manitoba Hydro activities related to industrial and employment benefits associated with the Limestone Generating Station Project.

The Government of the Province of Manitoba adopted a new accounting policy effective for its year ended March 31, 1988, regarding the treatment of the value of its assets related to Crown Corporations, Agencies, Boards and Commissions. The application of this policy to the Authority has resulted in the reduction of advances from the Province of Manitoba through forgiveness in the amount of $3,288,095 as at March 31, 1989, by way of Order in Council 1266/88.

Consistent with this policy change, the annual budget of the Authority is being provided from an appropriation of the Consolidated Fund as and from April 1, 1988 and does not represent an investment by the Province in the Authority.

THE MANITOBA ENERGY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1990

2. SIGNIFICANT ACCOUNTING POLICIES

Pension costs

Pursuant to Section 29 of The Manitoba Energy Authority Act, the Lieutenant Governor in Council has directed that The Civil Service Superannuation Act apply to employees who were employed under The Civil Service Act immediately prior to becoming employed as officers or employees of The Manitoba Energy Authority effective the date on which they become employed with The Manitoba Energy Authority. In accordance with the provisions of The Civil Service Superannuation Act, the Authority is required to contribute 50% of the pension disbursement made to its retired employees. There has been no funding of pension obligations to date.

The cost of pension benefits provided in exchange for employees' services rendered in the period are determined using the projected benefit method prorated on services. Deferred pension costs represent the unamortized present value of the pension plan deficit which arose on commencement of the plan. Deferred pension costs are being amortized on a straight-line basis over a period of 20 years.

The Authority has also established a Money Purchase Pension Plan for those employees who do not contribute to The Civil Service Superannuation Fund. This Plan provides for full vesting after a qualifying period by the employees. Both the Authority and the employees contribute to the Plan on the basis of the employees' regular salary.

Depreciation

Depreciable assets other than leasehold improvements are depreciated at the rate of 20% per year on the declining-balance basis.

Leasehold improvements are amortized on the straight-line method over the life of the lease, a period of five years.

3. FIXED ASSETS

The major categories of fixed assets and related accumulated depreciation as at March 31, 1990 are as follows:

	1990			1989
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Furniture and office equipment	$ 82,833	$ 54,401	$28,432	$35,541
Computer equipment	69,772	47,836	21,936	27,101
Leasehold improvements	10,649	6,659	3,990	6,165
	$163,254	$108,896	$54,358	$68,807

THE MANITOBA ENERGY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1990

4. SILICON PRODUCTS COMMERCIAL DEVELOPMENT PROGRAM

The Authority has entered into a Memorandum of Understanding dated November 1, 1988 with Dow Corning Corporation of Midland, Michigan which provides for the establishment of a Joint Program known as the Silicon Products Commercial Development Program.

The Joint Program is undertaken pursuant to detailed staged or Subsidiary Agreements which include source of funding for the work to be undertaken. A Stage I Subsidiary Agreement was executed as of November 1, 1988 and work completed in October 1989 at a cost to the Authority of $253,607.

A Stage II Subsidiary Agreement was executed October 1, 1989, which commits the Authority to provide funding not to exceed $5,220,903, by way of loans, in the following amounts for the years ending March 31:

1990	$ 632,133
1991	2,876,314
1992	1,044,181
1993	668,275

Financial assistance by the Authority is repayable by Dow Corning Corporation, subject to certain conditions. Repayment is not virtually certain nor, in the event that it may be, is the repayment period readily identifiable. Accordingly, the Authority is expensing its financial contributions to the Joint Program.

5. FUTURE COMMITMENTS

Future minimum rental payments required under operating leases for the years ending March 31 are as follows:

1991	$83,492
1992	69,577

The Authority has also entered into consulting contracts and other agreements which have a potential future obligation of approximately $27,986 (1989 - $52,992).

6. STATEMENT OF CHANGES IN FINANCIAL POSITION

A statement of changes in financial position has not been prepared as the changes in financial position are evident from the balance sheet and statement of operations and accumulated receipts.

7. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform with the current year's presentation.